

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00

AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-03 H-03

INR-11 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01

AID-20 CIEP-03 SS-20 STR-08 TAR-02 TRSE-00 PRS-01

SP-03 FEAE-00 OMB-01 SWF-02 /156 R

DRAFTED BY EB/OT/STA:ECONSTABLE:CLJ

APPROVED BY EB/OT/STA:WCLARK,JR.

TREAS:HSHELLEY

ARA/APU:RFELDER

ARA:WBOWDLER(SUBSTANCE)

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES IMMEDIATE

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E.O. 11652: GDS

TAGS:ETRD, AR

SUBJECT: COUNTERVAILING DUTIES ON NON-RUBBER FOOTWEAR

REFS: (A)STATE 207458; (B)BUENOS AIRES 7077

1. TREASURY DOES NOT REPEAT NOT PROPOSE THAT GOA ELIMINATE ENTIRE 30 PERCENT REIMBOLSO FOR FOOTWEAR EXPORTS BUT ONLY THAT PORTION OF REIMBOLSO WHICH REPRESENTS BOUNTY OR GRANT WITHIN MEANING OF COUNTERVAILING DUTY LAW. IN AUGUST DISCUSSIONS IN BUENOS AIRES, TREASURY EXPERTS EXPLAINED THAT 15 PERCENT OF REIMBOLSO CLEARLY REPRESENTED BOUNTY OR GRANT. GOA CONTENTED REMAINING 15 PERCENT REPRESENTS REBATE OF INDIRECT TAXES NOT COUNTERVAILABLE UNDER U.S. LAW. WITHOUT FURTHER CLARIFICATION OF MATERIAL SUBMITTED BY GOA MID-SEPTEMBER, TREASURY WILL FIND IT DIFFICULT TO CALCULATE

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EXACT AMOUNT OF REMAINING 15 PERCENT REBATE NOT COUNTER-
AVAILABLE. THUS EXACT LEVEL OF BOUNTY OR GRANT CANNOT BE

DETERMINED WITHOUT FURTHER TECHNICAL DISCUSSIONS WITH GOA.

2. TREASURY EXPLAINED TO GOA IN AUGUST THAT IN "COLOMBIAN SOLUTION" EXPORT SUBSIDY WAS REDUCED BY FULL AMOUNT OF BOUNTY OR GRANT AND MONEY PLACED IN FUND WHICH DID NOT BENEFIT FLOWER GROWERS DIRECTLY OR INDIRECTLY. IN ARGENTINE CASES, ANY FUND ESTABLISHED FOR LEATHER INDUSTRY WOULD HAVE TO EXCLUDE BENEFITS TO SHOE EXPORTERS TO BE ACCEPTABLE. GOA PROPOSAL ESTABLISHES FUND WHICH WOULD (A) MODERNIZE INDUSTRIAL PLANT AND EQUIPMENT, AND (B) INCORPORATE NEW

QUALITY CONTROL TECHNIQUES. THESE TWO FUNCTIONS, AS WELL AS OTHERS IN PROPOSAL, WOULD APPEAR TO BENEFIT SHOE EXPORTERS. FURTHER POINT-BY-POINT ANALYSIS OF PROPOSAL SHOULD AWAIT MEETING WITH GOA EXPERTS IN WASHINGTON.

3. TREASURY HAS COMPLETED PRELIMINARY ANALYSIS OF ARGENTINE DATA. THIS ANALYSIS RAISED PROBLEMS DESCRIBED IN REFTEL (A). TREASURY IS UNDER PRESSURE TO ACT QUICKLY IN CASE (REFTEL A, PARA. 2C). MEETING IN WASHINGTON WOULD PROVIDE OPPORTUNITY TO CLARIFY OR MODIFY GOA PROPOSALS. SPECIFICALLY, GOA EXPERTS COULD (1) FURTHER EXPLAIN APPLICATION OF ARGENTINE TAX LAW AND (2) DISCUSS WITH TREASURY IN DETAIL PROPOSED FUNCTIONS FOR SPECIAL FUND FOR LEATHER INDUSTRY.

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4. EMBASSY IS REQUESTED TO AGAIN URGE GOA TO SEND EXPERTS TO WASHINGTON THIS WEEK TO REVIEW SITUATION. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOOTWEAR, TAX LAW, COUNTERVAILING DUTIES, NEGOTIATIONS, EXPORT SUBSIDIES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE209022
Document Source: CORE
Document Unique ID: 00
Drafter: ECONSTABLE:CLJ
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740267-0248
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740922/aaaaasfn.tel
Line Count: 89
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A)STATE 207458; (B)BUENOS AIRES 707, 7
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 06 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 SEP 2002 by cunninfx>; APPROVED <04 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTERVAILING DUTIES ON NON-RUBBER FOOTWEAR
TAGS: ETRD, AR, US, TRSY
To: BUENOS AIRES
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005